



*Andrew Junkin  
CFA, CIMA, CAIA  
Managing Director*

March 23, 2009

Mr. Joseph Dear  
Chief Investment Officer  
California Public Employees' Retirement System  
400 Q Street  
Sacramento, CA 95814

Re: Revision to the Statement of Investment Policy for Internally Managed Global Enhanced Equity Strategies

Dear Joe:

You requested Wilshire's opinion with respect to the proposed revisions to the Statement of Investment Policy for Internally Managed Global Enhanced Equity Strategies. The revisions incorporate changes with respect to the additional enhanced index portfolios that were approved by the Investment Committee in February – the Fundamental Enhanced Emerging Markets strategy and the Country Tiered Emerging Markets strategy.

### **Recommendation**

Wilshire recommends that the Policy Subcommittee adopt the revised Statement of Investment Policy.

### **Background**

Staff has been managing the two referenced emerging markets strategies within the Developmental Investment Fund since June of 2007. After incubating the strategies for over 18 months, Staff proposed and Wilshire supported graduation of the two strategies, contingent upon appropriate policy language being adopted by the Policy Subcommittee.

Staff has proposed changes to the existing Enhanced Strategies policy. The changes provide appropriate information on the management of the two policies and subject them to the existing reporting requirements of all internally managed enhanced strategies. The existing policy was just approved in November of 2008 after review by the Policy Subcommittee in October.

Wilshire feels that the existing policy provides appropriate governance for the internally managed enhanced strategies by providing parameters for management of the portfolios and a reporting mechanism so that the Investment Committee is aware of the status of the portfolios on a consistent basis. Adding the two new strategies to the existing policy subjects those strategies to the same rigor as the other internally managed enhanced strategies. As such, Wilshire recommends that the Policy Subcommittee approve the revisions.

In addition, the name of the domestic benchmark is changing from the “CalPERS Custom Dow Jones Wilshire 2500 Index” to the “CalPERS Custom Wilshire 2500 Index.” As of March 31, 2009, the joint index calculation and development agreement between Dow Jones and Wilshire Associates will expire. As such, Wilshire will continue to create the custom benchmark for CalPERS as it has for many years. In this case, only the name has changed – the constitution rules are the same as they have been for the CalPERS Custom index.

Should you require anything further or have any questions, please do not hesitate to contact us.

Best regards,

A handwritten signature in black ink, appearing to read "Alan Jinn". The signature is fluid and cursive, with a large loop at the end.